

Message Text

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ACTION NEA-10

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L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 457
INFO AMEMBASSY DACCA
AMEMBASSY KATHMANDU
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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E.O. 11652: N/A
TAGS: ETRD, IN, NP
SUBJECT: TRADE AND TRANSIT AGREEMENTS

REF: KATHMANDU 1265

1. SUMMARY: NEPALESE COUNSELOR JAI RANA DISCUSSED TRADE AND TRANSIT TREATIES WITH EMBOFFS ON MARCH 23 ALONG MUCH THE SAME LINES AS REFTEL. HE THOUGHT GAINS FOR GON ON TRADE SIDE WERE MORE CONCESSIONAL TREATMENT OF IMPORTS OF NEPALESE INDUSTRIAL GOODS INTO INDIA AND EXCHANGE OF PRIMARY PRODUCTS ON RECIPROCAL BASIS. HE SAID MAIN ACHIEVEMENT IN THE TRANSIT TALKS WAS GOI AGREEMENT TO PROVIDE NECESSARY FACILITIES FOR NEPALESE TRADE WITH AND THROUGH BANGLADESH. HE WAS PLEASED THAT DIFFERENT PERIODS OF THE VALIDITY OF THE TREATIES REFLECTED A REAL SEPARATION OF TRADE AND TRANSIT MATTERS. HE POINTED OUT THAT NEPAL DID NOT GET NEARLY ALL IT WANTED FROM THE NEGOTIATIONS, BUT HE WAS
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NOT UNHAPPY AT THE OUTCOME. ON BALANCE WE THINK THAT NEPAL OBTAINED SOME CONCESSIONS FROM GOI AND DID AS WELL AS COULD BE EXPECTED. RELEVANT DOCUMENTS ARE BEING POUCHED. END SUMMARY.

2. TRADE. RANA SAID NEPAL'S ACHIEVEMENTS IN THE TRADE TREATY HAD BEEN MORE CONCESSIONAL IMPORT TREATMENT

FOR NEPALESE INDUSTRIAL PRODUCTS; AND RECIPROCAL AGREE-
MENT ON EXEMPTION FROM CUSTOMS DUTIES AND QUOTAS ON
IMPORTS OF PRIMARY PRODUCTS OF BOTH COUNTRIES. HE NOTED,
HOWEVER, THAT THE GON HAD WANTED TO OBTAIN EVEN MORE
PREFERENTIAL TREATMENT FROM INDIA FOR ITS PRODUCTS
(I.E. NO DUTIES ON ITEMS WITH 50 PERCENT OR MORE
NEPALESE ORIGIN); AND A FIRM GUARANTEE ON THE SUPPLY OF
ESSENTIAL GOODS FROM INDIA. HE EXPECTED THAT NEPAL
WOULD CONTINUE TO RUN A DEFICIT IN ITS TRADE WITH INDIA,
ALTHOUGH HE WAS HOPEFUL THAT THE GON COULD LESSEN ITS
DEPENDENCE ON INDIA IN SUCH ITEMS AS TEXTILES AND CEMENT.
(OVERALL TRADE BETWEEN THE TWO COUNTRIES IN 1977-78
IS EXPECTED TO BE CLOSE TO RS. ONE BILLION.)

3. TRANSIT. RANA NOTED THAT THE MAJOR GAIN IN THE TRANSIT
TREATY WAS THE GOI'S AGREEMENT TO PROVIDE NECESSARY
OVERLAND TRANSIT FACILITIES FOR NEPALESE TRADE WITH
AND THROUGH BANGLADESH. HE THOUGHT THAT THERE WOULD BE
NO PROBLEM IN INDIA WORKING OUT THE PROCEDURAL/LOGISTICAL
ARRANGEMENTS WITH BANGLADESH AND DID NOT THINK SUCH AN
AGREEMENT WOULD BE DEPENDENT ON THE GOI'S OBTAINING
CONCESSIONS FOR ITS OWN TRANSIT THROUGH BANGLADESH TO
THE NORTHEASTERN STATES. THE TREATY RECOGNIZES NEPAL AS
A LAND-LOCKED COUNTRY (A PLUS FOR THE GON SINCE THIS
WAS NOT IN THE 1971 TREATY), BUT REFERS ONLY TO THE
"NEED" FOR ACCESS TO THE SEA FOR ITS INTERNATIONAL
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TRADE; THE GON WANTED THE "RIGHT" OF ACCESS ACKNOWLEDGED
RANA STATED THAT THE "TRAFFIC IN TRANSIT" FORMULATION
WAS NOT VERY SATISFACTORY. THE GON HAND TRIED (UNSUC-
CESSFULLY) TO HAVE THE GOI ACCEPT THE PRINCIPLE OF
TRANSIT LAWS/ REGULATIONS THAT WERE SEPARATE FROM DOMESTIC
INDIAN LEGISLATION. HE SAID THERE HAD BEEN SOME IMPROVEMENT
IN THE PROTOCOL'S PROVISIONS TO ALLOW THE GON TO
HAVE MORE CONTROL OVER HANDLING OPERATIONS IN CALCUTTA,
BUT THE NEPALESE WILL STILL HAVE TO PAY HIGH HANDLING
AND RENTAL CHARGES THERE. GON HAD WANTED TO ACQUIRE A
SEMI-INDEPENDENT STATUS UNDER THE CALCUTTA PORT AUTHOR-
ITY. ACCORDING TO RANA, THE GOI WILL ALLOW THE NEPALESE
FACILITY AT HALDIA PORT TO BE INCLUDED IN THE PORT ZONE
BUT DID NOT GRANT WATERFRONT SPACE. GOI WOULD NOT AGREE
TO SPECIFIC MENTION OF BOMBAY AND DARADIP AS ALTERNATE
PORTS FOR THE TRANSIT OF NEPALESE GOODS.

4. SEPARATION OF TRADE AND TRANSIT. RANA NOTED THAT THE
SEPARATION OF THE TWO SUBJECTS WAS BEST REFLECTED IN
THE DIFFERENT PERIODS OF VALIDITY OF THE TREATIES (FIVE
YEARS FOR TRADE, SEVEN YEARS FOR TRANSIT). THE STAGGERED
DATES, HE SAID, MEANT THAT TRADE COULD NO LONGER BE HELD

UP BECAUSE OF DIFFICULTIES IN RESOLVING TRANSIT PROBLEMS, AS HAD BEEN THE CASE IN 1971 WHEN THE THEN SINGLE TREATY HAD EXPIRED. IN ADDITION, HE SAID THAT DIFFERENT JOINT REVIEW COMMITTEES WILL LOOK AT THE TWO TREATIES EVERY SIX MONTHS.

5. COMMENT. RANA STATED THAT HE WAS "NOT UNHAPPY" WITH THE OUTCOME OF THE NEGOTIATIONS, BUT COULD NOT SAY HE WAS PLEASED. ON THE OTHER HAND, HE SAID THAT, WHILE THE TRADE/TRANSIT TREATIES WERE NOT THAT IMPORTANT IN THEMSELVES, THEY CONSTITUTED A "TEST CASE" FOR THE GOI IN ITS OVERALL RELATIONSHIP WITH NEPAL. IN OUR JUDGMENT THE GOI MADE SOME GAINS AND DID ABOUT AS WELL AS COULD BE EXPECTED IN THE NEGOTIATIONS. IT WAS NEVER LIKELY LIMITED OFFICIAL USE

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THAT THE GOI WOULD ACCEDE TO ALL OF THE NEPALESE DEMANDS.

6. WE ARE POUCHING COPIES OF THE TRADE AND TRANSIT TREATIES (INCLUDING PROTOCOLS) AND THE AGREEMENT TO CONTROL AUTHORIZED TRADE (ALL OF WHICH WENT INTO FORCE ON MARCH 25), AS WELL AS FOUR SUPPLEMENTARY LETTERS OF UNDERSTANDING FROM GOI MINISTER OF COMMERCE DHARIA. GOHEEN

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